

Message Text

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15

ACTION NEA-12

INFO OCT-01 AF-10 EUR-25 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 ACDA-19 IO-14 AID-20 COME-00 EB-11

FRB-02 TRSE-00 XMB-07 OPIC-12 CIEP-02 OMB-01 INT-08

SCEM-02 SCI-06 SSO-00 NSCE-00 INRE-00 DRC-01 /230 W

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P 201313Z OCT 73 ZDK

FM AMEBASSY KUWAIT

TO SECSTATE WASHDC PRIORITY 7944

INFO AMEMBASSY ABU DHABI PRIORITY

AMEMBASSY BEIRUT PRIORITY

AMEMBASSY BONN PRIORITY

AMEMBASSY JIDDA PRIORITY

AMEMBASSY LONDON PRIORITY

AMEMBASSY PARIS PRIORITY

USMISSION OECD PARIS PRIORITY

AMEMBASSY TRIPOLI PRIORITY

CONFIDENTIAL KUWAIT 3824

E.O. 11652: GDS

TAGS: EFIN, PFOR, XF, KU, US

SUBJECT: ARAB FINANCIAL RESERVES AS A WEAPON

REF: KUWAIT 3759

1. WE HAVE LEARNED THAT AT RECENT OAPEC MINISTERIAL MEETING TO DISCUSS USE OF OIL AS WEAPON DURING CURRENT MIDEAST HOSTILITIES, QUESTION AROSE REGARDING USE OF ARAB FINANCIAL RESERVES AS A WEAPON, SPECIFICALLY WITHDRAWING ARAB ASSETS FROM US BANKS. MATTER WAS REFERRED TO ARAB CENTRAL BANKERS WHO MAY MEET SOON TO DISCUSS QUESTION.

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2. KD/DOLLAR RATE, WHICH SET DAILY BY KUWAIT CENTRAL BANK HAS REMAINED STABLE. HOWEVER, SOME LARGER MONEY CHANGERS GETTING BEARISH REGARDING DOLLAR. THERE APPEARS TO BE SOME MOVEMENT IN PRIVATE SECTOR AWAY FROM DOLLARS TO STERLING AND DEUTSCHE MARK. WE BELIEVE THIS IS BASED ON GENERAL NERVOUSNESS AND ON WEAKNESS OF DOLLAR IN EUROPEAN MONEY MARKETS LAST THURSDAY AND FRIDAY.

3. WE CONTINUE TO BELIEVE GOK NOT RPT NOT INTERESTED IN USING ITS FINANCIAL RESERVES TO MANIPULATE INTERNATIONAL CURRENCY MARKETS. EMBOFF WAS GIVEN THAT IMPRESSION IN MEETING WITH GOVERNOR CENTRAL BANK FEW DAYS AGO (REFTEL) AND SENIOR MINISTRY FINANCE OFFICIAL TOLD AMERICAN JOURNALIST GOK DID NOT RPT NOT INTEND MAKE MAJOR SHIFTS OF ASSETS FROM DOLLARS TO OTHER CURRENCIES.

4. COMMENT: WE INTEND KEEP IN TOUCH WITH LOCAL BANKERS, BUSINESSMEN AND OFFICIALS OVER NEXT FEW DAYS AND WILL SEND FOLLOW-UP REPORT. WE ANTICIPATE SOME MOVEMENT OUT OF DOLLARS BY PRIVATE INDIVIDUALS IN REACTION TO GENERAL UNSETTLED CONDITIONS IN MARKETS, BUT WE DO NOT BELIEVE GOK AS MATTER OF POLICY WILL BEGIN ATTEMPT TO MANIPULATE INTERNATIONAL MONEY MARKETS. STRENGTH OF DOLLAR IN MIDDLE EAST WILL BE AFFECTED GREATLY BY DEVELOPMENTS IN ARAB/ISRAELI WAR AND ITS SITUATION IN EUROPEAN FINANCIAL MARKETS. END COMMENT

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